



# Los Angeles County AUDIT COMMITTEE

Carl Gallucci, Chair  
4th<sup>d</sup> District  
Louisa Ollague, Vice-Chair  
1<sup>st</sup> District  
Dorinne Jordan  
2<sup>nd</sup> District  
Genie Chough  
3<sup>rd</sup> District  
Lori Glasgow  
5<sup>th</sup> District

## MINUTES

January 21, 2010

Vice Chair Louisa Ollague called the meeting to order at 10:35 a.m. as a Committee of the Whole in Conference Room 525, Kenneth Hahn Hall of Administration. A quorum was recognized at 10:40 a.m. and the meeting was called to order.

### Committee Members Present

Carl Gallucci, Chair, Fourth District  
Louisa Ollague, Vice Chair, First District  
Genie Chough, Third District  
Lori Glasgow, Fifth District

Carl Gallucci and Genie Chough joined the meeting establishing a quorum.

### REORGANIZATION OF AUDIT COMMITTEE

On motion of Lori Glasgow, seconded by Carl Gallucci and unanimously carried, Louisa Ollague was elected Chair.

On motion of Lori Glasgow, seconded by Carl Gallucci and unanimously carried, Lori Glasgow was elected Vice Chair.

### APPROVAL OF NOVEMBER 19, 2009 MINUTES

On motion of Lori Glasgow, seconded by Carl Gallucci and unanimously carried, the minutes of November 19, 2009 were approved.

### OLD BUSINESS

**On motion of Louisa Ollague, seconded by Carl Gallucci and unanimously carried, the Committee received and filed the following reports:**

- Status on Common Subject Search for Investigations (10/06/09)
- Internal Services Department – Payroll/Personnel Review (10/08/09)

Maria Oms, Auditor-Controller, reported that staff is unable to follow-up on departmental mandated requests except through audits; only then can it be determined whether a department is in compliance. Judith Thomas, Auditor-Controller, will forward the Audit members suggestions offered to the Human Resource Department on strengthening/standardizing the general sick leave policy throughout the County

- REVISED – Los Angeles Gary and Lesbian Community Services Center Contracts Review – A Department of Public Health HIV/AIDS Care and Prevention Services Providers (10/9/09)

Don Chadwick, Auditor Controller, reported that \$100,000 in disallowable costs was identified. A four month payment plan that began in December 2009 is in place. The installments are in \$25,000 increments, and the remaining balance is to be paid in full in two months.

- Department of Public Works Proposition A Contract Amendment Cost Analysis (October 20, 2009 Board Agenda, Item 22) (10/16/2009)
- Jewish Vocational Service Contract Review - A Community and Senior Services Workforce Investment Act Program Provider - Fiscal Year 2008-09 (10/28/09)

Don Chadwick reported that \$3,000 in disallowed costs was identified. JVSC had repaid a portion to date (\$2,200), documentation was provided to support the outstanding balance and the balance has been paid in full.

- Status Report – Cost Analysis of Project 50 (Board Agenda Item S-2, May 26, 2009) (10/30/09)
- Southeast Area Social Services Funding Authority Contract Review – A Community and Senior Services Workforce Investment Act Program Provider – Fiscal Year 2008-09 (11/02/09)
- Fiscal Year 2009-2010 Audit Plan (11/13/09)

**On motion of Louisa Ollague, seconded by Carl Gallucci and unanimously carried, the Committee continued the following items to its February 18, 2010 Audit Committee Meeting:**

- Proposed County Vehicle Policy – Revised (11/10/09)
- Reminder to Review Board Policy No. 9.110 Sunset Review Date (E Verify) (10/10/08)
- Proposed Policy on Retention of Contractor Employees for Security Service Contracts (08/28/09)

Martin Zimmerman, Chief Executive Office, stated the proposed policy was developed under the instruction of the Board of Supervisors. The policy is for service contractors that can no longer provide employment for its employees. The policy stipulates that the successor firm will provide jobs and provide a living wage for the employees of the defunct firm. The provisions are similar to the requirement of Proposition A, however, the policy applies to both Prop A and non Prop A security services' contractors. Prop A requires contractors to retain the defunct company's employee for 90 days but not for the non Prop A service provider.

Vice Chair Glasgow suggested that the new policy exempt non Prop A service providers from retaining an employee for 60 to 90 days. Following discussion, it was agreed that the policy should state that the non Prop A service provider retain

the employee for the duration of the contract agreement, and in addition, ensure that the policy states that the service contractor employees are not implicitly County employees.

- Review of Board Delegated Authority 20.200 - Golf Greens Fees (06/23/98)

## **BOARD POLICIES**

**On motion of Lori Glasgow, seconded by Genie Chough and unanimously carried, the Committee approved the following Policies:**

- Board Policy 9.180 Management Appraisal and Performance Plan (MAPP), Tier I and Tier II, Salaries on Appointment, Promotion, or Voluntary Demotions (7/23/09)
- Review of Board Policy No. 6.010 – Department E-mail Constituent Assistance Form (1/11/10)

**On motion of Lori Glasgow, seconded by Genie Chough and unanimously carried, the Committee continued the following Policy to its February 18, 2010 Audit Committee meeting:**

- Review of Board Policy No. 3.020 – Clean Fuel Program (1/5/10)

Ms. Glasgow requested a revision to the policy from mandating hybrids to include wording similar to “most fuel/energy efficiency vehicles, cost effective, eco friendly” or other wording that would maximize flexibility when addressing the clean fuel program.

- Review of Board Policy No. 5.070 – Multi-Year Services Contract Cost of Living Adjustments (04/01/97)

## **REPORTS TO BE RECEIVED AND FILED**

**On motion of Lori Glasgow, seconded by Genie Chough and unanimously carried, the Committee received and filed the following reports:**

- South Bay Family Healthcare Center Contract – A Department of Public Health HIV/AIDS Care and Prevention Services Provider – Follow-up Review (11/17/09)
- Review of the County Treasury Statement of Net Assets for the Quarter Ended March 31, 2009 (12/03/09)
- AIDS Service Center Contract Review - A Department of Public Health HIV/AIDS Care Services Provider (12/14/09)
- Amanecer Community Counseling Services Contract Review - A Department of Children and Family Services and Mental Health Service Provider (12/14/09)
- Treasurer's November 16, 2009 Cash Count (12/14/09)
- Developing Desk Procedures and Cross-Training Employees (12/16/09)
- Fiscal Year 2009-2010 Cash Flow Projection (12/18/09)
- Contract Cash Flow Advance Guidelines (12/18/09)

Jim Schneiderman, Auditor-Controller, reported calls have been received regarding the Guidelines. A few of the calls were to determine if their department's guidelines coincide.

- San Fernando Valley Community Mental Health Center, Inc. Contract Review – A Department of Children and Family Services and Mental Health Service Provider (12/18/09)

Chair Ollague requested that this item be moved to the DCFS Deputies' Audit Committee Agenda for review.

- Sheriff's Department – Payroll/Personnel Review (12/18/09)

Mr. Schneiderman advised that the Board of Supervisors has requested the CEO to provide a report; efforts are underway by the CEO's office to ensure Board compliance.

- Status of Contract Management Reporting In eCAPS (12/22/09)
- Measure B Special Tax Revenue Fund for Trauma Centers, Emergency Medical Services and Bioterrorism Response (12/28/09)

John Naimo, Auditor-Controller, reported that the Board of Supervisors approved the CEO and the Health Department recommendation to utilize Measure B tax increase of almost 25%. There is an inflation provision that is available each year to be applied on a cumulative basis which was utilized for the December installment. This provision was utilized in fiscal year 2008-09, however, it is not certain if it can be used in 2009-10. There is over \$100 million for Health Services to use at various intervals throughout the year. Mr. Naimo referred to a Board letter dated 8/12/09 which raised the tax by 24.2% that is linked to the medical component of the consumer price index. To raise the tax again, implementation should occur by the end of August 2010.

- Community and Senior Services - Fiscal Monitoring of Domestic Violence Program Service Providers for Fiscal Year 2007-08 (12/29/09)
- Olive Crest Treatment Centers, Inc. Contract Review - A Department of Children and Family Services and Mental Health Service Provider (12/30/09)

Chair Ollague requested that this item be moved to the DCFS' Deputies Audit Committee Agenda for review.

- McKinley Children's Center Contract Review – A Department of Mental Health Service Provider (1/8/10)

The less-than-arm-length-lease has been an issue in the past which is not stipulated in the contracts. Tom Fagan, County Counsel, suggested a Board motion that mandates specific language such as a fixed fee. The language would be phrased in such a way that requires an analysis of each contract to support the mandate. Ms. Oms will provide a draft to members for approval. Also, the motion should include language addressing contributions/donations.

- Stirling Academy, Inc. dba Stirling Behavioral Health Institute Contract Review - A Department of Mental Health Service Provider (1/12/10)

Nepotism was a real concern on this contract. Department of Mental Health is in the process of creating contract language to address nepotism.

- The Saban Free Clinic Contract Review - A Department of Public Health HIV/AIDS Prevention Services Provider (1/13/10)
- Proposed Fiscal Year 2009-10 Monitoring Plan (1/5/10)
- Social Service Fee for Service Contracts Status Report

**On motion of Louisa Ollague, seconded by Genie Chough and unanimously carried, the Committee continued the following items to its February 18, 2010 Audit Committee Meeting:**

- Hub Cities Consortium Contract Review – A Community and Senior Services Workforce Investment Act Program Provider – Fiscal Year 2007-08 (12/03/09)

Don Chadwick, Auditor-Controller, advised that the Community and Senior Services is scheduled to attend the next meeting to provide a status on their audit recommendations. The Committee would like to address the progress in collecting disallowable costs, what training is given to the provider regarding performance measures, and what type of thresholds/sanctions are in place for contractors that have disallowed costs. Mr. Chadwick offered to place on the next agenda a separate item “Background Checks on WIA Contracts.”

- Catholic Charities of Los Angeles, Inc. Contract Review - A Community and Senior Services Workforce Investment Act Program Provider - Fiscal Year 2008-09 (12/14/09)

Mr. Chadwick reported that CSS will be taking a stronger stance with Catholic Charities in that the evaluation process to obtain participants was not in compliance with the County. This may be a situation where Do Not Pay and sanctions may be warranted. Mr. Chadwick will follow-up with CSS and e-mail a status update to Committee Members.

- City of Compton - Compton Careerlink Contract Review - A Community and Senior Services Workforce Investment Act Program Provider - Fiscal Year 2008-09 (12/14/09)

Ms. Glasgow inquired if Careerlink has corrected 37 deficiencies cited in the report. Mr. Chadwick noted that the next scheduled audit will determine if deficiencies were corrected; and data will be provided to the Committee on what contract program is being terminated.

- Chicana Service Action Center, Inc. Contract Review - A Community and Senior Services Workforce Investment Act Program Provider - Fiscal Year 2008-09 (12/29/09)

Chair Ollague would like to discuss this item with CSS at the next meeting, hold a special meeting with Chicana Service, and have County Counsel attend a meeting to discuss how to resolve the live scan delays and rejections from DOJ.

## **OTHER BUSINESS**

Pending Audits/Monitoring Reports – This discussion includes dialogue in reference to the Fiscal Year 2009-10 Audit Plan. The IT audits are a Board of Supervisors' policy that requires the Auditor-Controller to ensure that certain departments are in compliance with County IT system security requirements. It will determine who has access to specific information and if an acknowledgment was signed promising non personal use. It was discovered that some employees have VPN access to County Networks without an explanation as to why.

The CEO's office is aware of the Audit-Controller's fiscal difficulties in obtaining payment for services rendered to County departments. The Auditor has considered a one-time absorption of a portion of the outstanding debt. Presently, the Office is \$5 million down in departmental agreements, and also in DSOs for the current year. Acquiring funds from departments will be talking points at the upcoming budget hearing. The Auditor's budget estimate takes into account the projected unpaid audits.

The General Funded Departments are the departments that the Auditor has the most difficulty obtaining money for services rendered. Audits should be based on risk not on whether they can pay or not.

**On motion of Chair Ollague, seconded by Genie Chough and unanimously carried, the Audit Plan was received and filed.**

Fiscal Year 2009-2010 Cash Flow Projection (1/14/10) – Mr. Naimo reported the cash flow is stable, property tax collections were good, and the Treasurer-Tax Collector will provide a delinquent report in a few months. Approximately \$150 million of December's collection that was in the General Fund was wired to the Office of Education and then was forwarded to Sacramento. The second installment of \$150 million is due in May 2010. Supplemental Revenue Augmentation Fund (SRAF) is a provision that was written specifically to allow the State to borrow money from property tax which is thought to be one-time only.

The County hopes the year end cash flow is at least \$230 million. It is anticipated that some revenues will be short.

Sunset Reviews (discussion) – Mr. Schneiderman noted that unpaid audits owed to the Auditor Controller's Office have produced internal budget overruns. Also, if time permits, staff can review the state law/audit standards at the next meeting.

## **PUBLIC COMMENT**

There was none.

## **MATTERS NOT ON THE POSTED AGENDA (TO BE PRESENTED AND PLACED ON THE AGENDA OF A FUTURE MEETING)**

There was none.

## **ADJOURNMENT**

There being no further business to conduct, the meeting was adjourned at 12:08 p.m.

Others in Attendance

Maria Oms, Auditor-Controller  
Judi Thomas, A-C  
Don Chadwick, A-C  
Jim Schneiderman, A-C  
John Naimo, A-C  
Yoon Bae, A-C  
Elaine Boyd, A-C  
Sanford Johnson, A-C  
Kris Kademian, A-C  
Maria McGloin, A-C

Martin Zimmerman, Chief Executive Office  
Frank Cheng, CEO  
Scott Orr, CEO  
Gregory Melendez, Chief Information Office  
Amanda Drukker, County Counsel  
Tom Fagan, CC  
Michele Jackson, CC  
Sandra Sims, HR  
Jorge Badel, Parks and Recreation

Staff

Lee Millen, Board of Supervisors  
Nyla Jefferson, Board of Supervisors  
Garen Khachian, Board of Supervisors